

If you
know
the world,
you learn
how
to act in it...

Our environment, health and safety

Statement from the Chairman of the Board and Chief Executive Officer Armin Meyer

Ciba Specialty Chemicals once again took large steps forward in 2003 to help frame the environmental agenda for the specialty chemicals industry. I am proud to say that we are the first in our industry to implement cutting-edge eco-efficiency reporting guidelines developed by the United Nations. Further, we have sought third-party verification for this approach. In addition, we are making significant progress in our expanded commitment to product stewardship. Finally, our environmental goals for the 2001 to 2003 time period brought very satisfying results and we have set new targets for the period 2004 to 2006.

Adopting the new United Nations program

In 2001, Ciba Specialty Chemicals became the first company in the specialty chemicals industry to adopt the novel approach of comparing its key environmental parameters to its gross profit results. By linking financial performance to environmental figures, we were able to demonstrate how our high-quality products add value throughout the value chain, using fewer resources and minimizing environmental impact.

In the meantime, the United Nations has begun promoting a program to bring more conformity to environmental reporting across diverse industries and geographical borders. The UN Conference on Trade and Development (UNCTAD) has introduced a manual featuring detailed definitions for five key eco-efficiency parameters. Ciba Specialty Chemicals has reviewed the UNCTAD guidelines and believes they make sense and support our earlier initiative. Therefore, effective this year we will report our environmental performance in accordance with these guidelines. With this new approach, we add two new reporting categories in this printed report – Global Warming Contribution and Contribution to Ozone Depletion. We also submitted our results for verification to an independent, third-party company, Ellipson. As it was instrumental in helping UNCTAD establish its standards, it is therefore in an excellent position to judge our compliance with them.

On our Internet site www.cibasc.com/ehs, which plays an integral role in our global EHS reporting, we supply more details on our EHS performance. I invite you to view and comment on this.

Concrete steps forward in product stewardship

To be a successful operator today in the specialty chemicals industry, a company must strictly adhere to the principles of product stewardship. Adherence cannot come in the form of “window dressing”; this comprehensive “cradle-to-grave” process for safely developing, manufacturing, distributing, marketing, using and ultimate disposing of products needs to be central to a company’s operating philosophy. This is one of the

most important elements of the global Responsible Care® program to which we have been a long-time subscriber.

At Ciba Specialty Chemicals, environmental, health and safety matters are deeply entrenched in our business plan. Last year, I told you we had adopted new global Guiding Principles for Product Stewardship. Now, I am pleased to report that in 2003, we took several very substantive steps forward in implementing these guidelines.

In April, 2003, our Executive Committee approved 30 targets – approximately five each for our business segments and five cross-company initiatives – all focused on addressing potential product stewardship issues. Each segment then appointed a global coordinator to implement these goals. A series of awareness workshops was held and a special training package for sales personnel is being developed. Substantial progress has been made.

Particularly rewarding has been the development and sharing of core knowledge and information. The cross-segment projects will continue to focus on new uses of existing products, franchising processes when products are sold by more than one segment and incorporating environmental, health and safety aspects into product design and innovation processes. The review of the 2003 targets, and the setting of the 2004 targets, is scheduled for the Executive Committee meeting in early 2004.

Satisfying results on 0-10-10

Three years ago, we set out to achieve three very lofty goals: zero lost-time accidents, a 10 percent reduction in the absolute level of energy usage, regardless of changes in production and a 10 percent reduction in the raw materials needed to produce one ton of product.

Some people argue that zero lost-time accidents is a worthy goal, but totally unrealistic. My answer to them is, injuries are not acceptable. With proper training and adherence to basic safety principles, accidents are in fact avoidable. It is not acceptable to say that 30 lost-time accidents are “okay,” simply because it’s an improvement over the year before. We must do everything possible to aim for zero lost-time accidents. Period.

So how did we do? We made a lot of progress. The number of lost-time accidents per thousand employees was 9.6 in 2000. In 2003, it dropped by more than half to 4.6. Importantly, it has been dropping steadily each year since 1997. This is not a statistical fluke. It’s due to our continuing emphasis and attention. But, as I said, we need to do even better.

In 2002, as we reported last year, we suffered three fatalities. I told you that we would take steps in 2003 to increase training to provide for

more targeted prevention efforts in the future. I can report that we suffered no fatalities in 2003. One contribution to this result was the introduction of a new approach to reinforcing basic safety standards through standardized global training modules. I continue to insist that every lost-time accident be immediately reported to me personally and that all managers continually reinforce our most important internal message – “Safety First!”.

Regarding the reduction in energy usage, we made very good progress, but fell somewhat short of our goal. In absolute terms, we reduced energy usage by 6.4 percent between 2000 and 2003. Considering that production increased by 13 percent during that period, our relative energy usage (measured as usage per ton of product produced) actually fell 16 percent between 2000 and 2003. Therefore, we are using energy much more efficiently, which is good for our operational expenses and also helps society by being more conservation-oriented with natural resource usage.

Our material use efficiency increased 3.4 percent over the three-year period. That’s clearly shy of our initial target, in large part because 30 percent of our products are produced in high-yield plants, where 100 percent of “what goes in” comes out in the finished product. Therefore, there’s no chance to increase material usage efficiency at those plants. We did manage to save a substantial amount of money and also learned some valuable lessons, including novel ways to measure and evaluate material use efficiency. We will use this knowledge to improve material usage wherever possible.

Our goals for 2006: a new twist on 0-10-10

We have given a lot of thought to setting the right environmental targets for Ciba Specialty Chemicals over the next three years. Again, we will call the program “0-10-10”, but the two “10s” will stand for different objectives.

The first goal is a continuation of our initiative toward zero lost-time accidents. Although we have made consistent improvements, we continue to consider this a crucial area for attention.

The second goal is a 10 percent reduction in total water consumption per ton of product produced. The earth’s water supply is a closed system. There’s no new source being produced; water is constantly being recycled between the heavens and the earth. As populations continue to grow and demand for water increases, water will become even more precious, and expensive. To underscore the impact of water scarcity, already in some countries the cost of fresh water exceeds the cost for treating “end-of-the-pipe” effluent – a complete reversal of former

conditions. At Ciba Specialty Chemicals, we believe now is the time to learn the lessons of water use efficiency, so we will be better positioned for the future and be doing our part in not wasting this most vital natural resource. Of course, all lessons learned will provide even more expertise for our Water & Paper Treatment Segment, which is already helping customers conserve and reuse water.

Our third goal is a 10 percent reduction in CO₂ emissions per ton of product produced. For the measurement of this so-called “greenhouse gas,” we will include CO₂ emitted by off-site power stations and third-party boiler houses for energy attributable to use by Ciba Specialty Chemicals. In keeping with the objectives of the Kyoto Protocol, we will exclude CO₂ emissions when wastes are burned as alternative fuels.

Frankly, global warming is of prime concern to humanity and we feel we have an obligation to address it. Many countries are already setting CO₂ environmental targets to meet the Kyoto accords and our effort will bring us into alignment with these trends. Kyoto, quite wisely, allows an incentive for the proper use of wastes as alternative fuels. This provision fits well with Ciba Specialty Chemicals’ environmental conservation and waste minimization goals.

In total, we believe our goals for the next three years will push us in a responsible and meaningful direction, while also making our operations more cost efficient and the Company sustainable over the long term.

Sustaining our business

Ciba Specialty Chemicals remains committed to being a responsible and environmentally aware company, while at the same time making a profit for its shareholders. One cannot be separated from the other. We believe that we continue to prove that point through our more efficient operations and improved environmental performance. As always, I welcome your views on the topic.

Best regards,



Armin Meyer
Chairman of the Board and
Chief Executive Officer

Eco-efficiency indicators

Comments to the graphs

We present our performance data in three categories: row one, global totals; row two, relative to production output; and row three, relative to Net Value Added.

All graphs are developed according to United Nations Conference on Trade and Development (UNCTAD) guidelines and are based on data from Ciba Specialty Chemicals' global SEEP (Safety, Energy and Environmental Protection) reporting system.

UNCTAD's eco-indicators are:

Energy: total primary energy purchased by sites and by third parties to provide the Company with steam and electricity. Waste used as fuel is not included.

Water: total water entering sites, except rain and storm water.

Global warming contribution: global warming gases emitted by or on behalf of the Company, expressed as carbon dioxide (CO₂) equivalents (and calculated in accordance with the Kyoto Protocol).

Ozone-depleting substances: total emission of such chemicals as defined in the Montreal Convention, expressed as CFC-11 equivalents.

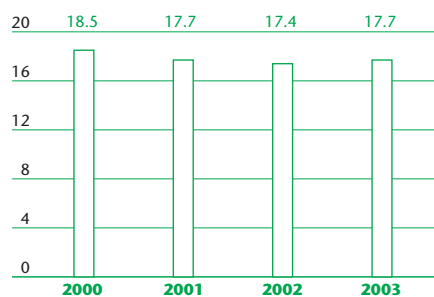
Waste: all Company-generated wastes. Further details appear on the Company Internet.

Net Value Added: NVA is calculated in Swiss francs, using the formula: sales, minus costs of goods and services purchased, minus depreciation. For 2003, eco-efficiency indicators are also shown at the currency exchange rates in effect in 2000 for comparison purposes.

Additional information is available on the Ciba Specialty Chemicals Internet at www.cibasc.com/ehs

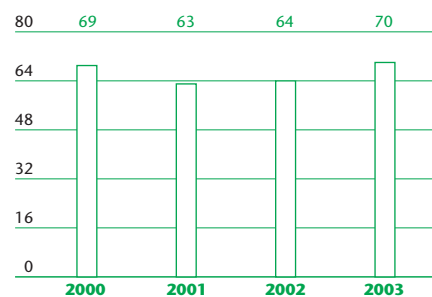
Energy requirement

thousand terajoules

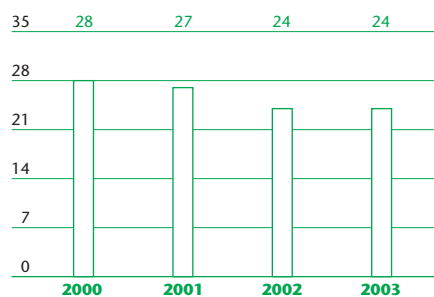


Water use

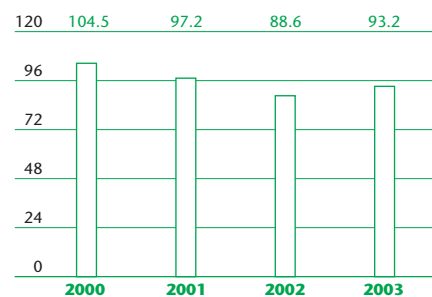
million m³



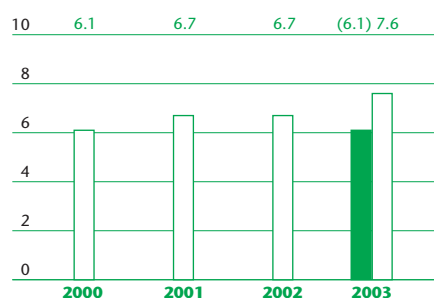
gigajoules / tonne product



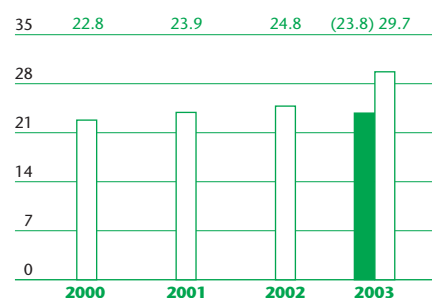
m³ / tonne product



terajoules / million CHF NVA*

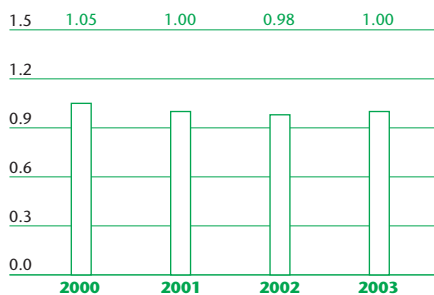


thousand m³ / million CHF NVA*



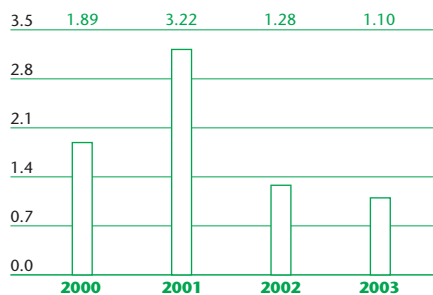
Global warming contribution

million tonnes CO₂ eq.



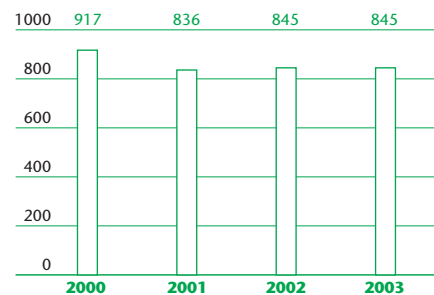
Contribution to ozone depletion

tonne CFC-11 eq.

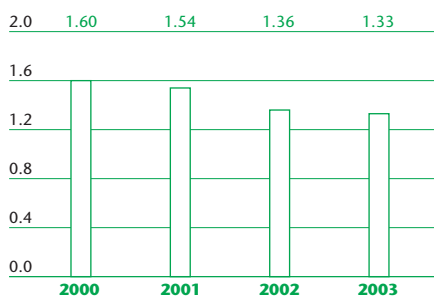


Waste

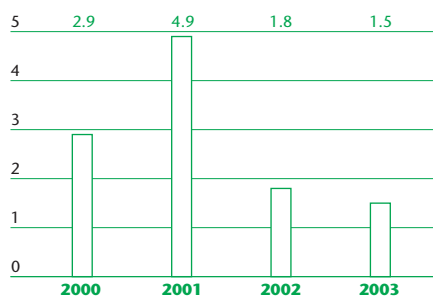
thousand tonnes



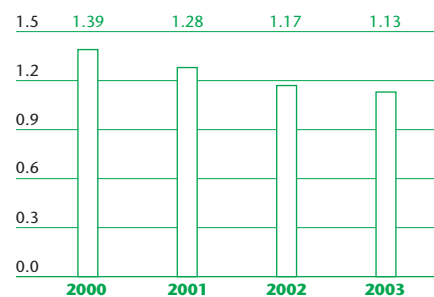
tonnes CO₂ eq. / tonne product



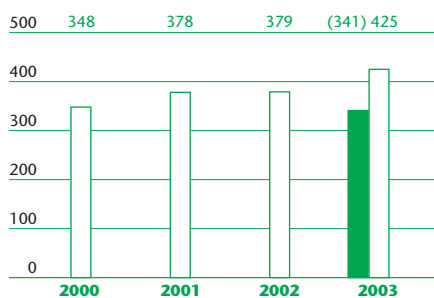
g CFC-11 eq. / tonne product



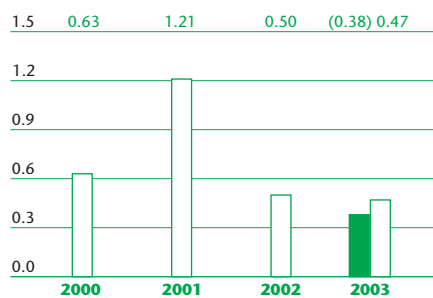
tonnes / tonne product



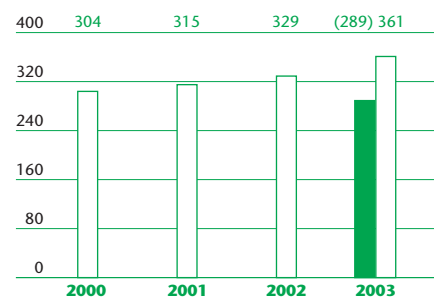
tonnes CO₂ eq. / million CHF NVA*



kg CFC-11 eq. / million CHF NVA*



tonnes / million CHF NVA*



* NVA: Net Value Added
■ NVA based on 2000
currency exchange rates

How we act

Validation statement



To the Management and Shareholders of
Ciba Specialty Chemicals Holding Inc.

Ciba Specialty Chemicals requested that Ellipson validate the eco-efficiency figures published in its 2003 EHS Report.

The management of Ciba Specialty Chemicals is responsible for the presentation of the eco-efficiency indicators according to the voluntary guidelines of the United Nations Conference on Trade and Development (UNCTAD). Our responsibility is to verify and assess this presentation.

We have verified how the raw data from the individual sites has been converted to the eco-efficiency data and how the consolidation of data from all sites was carried out. We did not verify the basic information supplied by the individual sites, nor the basic financial data used to calculate the Net Value Added.

The verification was carried out to assess compliance with the UNCTAD Guidelines; the verification procedures were designed to give reasonable assurance that indicators are free from material misstatement. Using random samples, we have examined and analyzed the eco-efficiency data and consolidation procedures. Further we have assessed the use of the accounting principles defined in the UNCTAD Guidelines, the significant assumptions made and the overall presentation of eco-efficiency indicators. We believe that our verification provides a reasonable basis for our opinion.

In our opinion, the eco-efficiency indicators give a true and fair picture. The eco-efficiency indicators for water use, waste and contribution to ozone depletion comply fully with the UNCTAD Guidelines. For the energy and the associated global warming contribution indicators, an alternative procedure was adopted, which qualitatively is equivalent to the procedure described in the UNCTAD Guidelines.

Basel, January, 2004
Ellipson AG

A handwritten signature in black ink, appearing to read "A. Sturm".

Dr. Andreas Sturm

A handwritten signature in black ink, appearing to read "Kaspar Müller".

Kaspar Müller

EHS goals

2001–2003

Ciba Specialty Chemicals' "0-10-10" program had the following results:

- Zero lost-time accidents. Over the total period, the number of accidents was reduced nearly by half. Lost-time accidents totaled 142 in the base year 2000. In 2001, they dropped by 30 percent, to 92. In 2002, they dropped 15 percent to 81. In 2003, they fell 9 percent to 74.
- Ten percent less absolute energy usage, regardless of changes in production. Absolute energy use was reduced by 6.4 percent. An increase in production of 13.3 percent made it more difficult to reduce absolute usage. Nevertheless, energy use per ton of product produced did fall by 16.1 percent during the period.
- Ten percent greater material use efficiency. Efficiency increased by 3.4 percent, despite the fact that 30 percent of the Company's production occurs at high-yield facilities where 100 percent of incoming materials are converted to finished product without producing waste.

2004–2006

Ciba Specialty Chemicals' new "0-10-10" program for the next three years calls for:

- Zero lost-time accidents. The Company seeks to eliminate all avoidable accidents.
- Ten percent reduction in water consumption per ton of product produced. The Company seeks to increase the efficiency of its use of this vital natural resource.
- Ten percent reduction in CO₂ emissions per ton of product produced. The Company seeks to further reduce its contribution to global warming.

Lost-time accidents

In 2003, Ciba Specialty Chemicals continued to improve its employee safety record, as measured through lost-time accidents. For the third consecutive year, the number of sites completing the entire year without such an accident rose, while the total number of individual accidents decreased.

A total of 26 sites reported zero lost time accidents in 2003, up from 25 in 2002. That compares to 24 sites in 2001 and 19 sites in 2000. In addition, five sites reported only one lost-time accident in 2003.

There has been a nearly 50 percent reduction in lost-time accidents since the year 2000, when 142 such accidents were reported, as compared to 74 accidents in 2003. The 2003 figure was 9 percent lower than the 2002 total of 81 accidents.

The following sites reported zero lost-time accidents in 2003:

Wyong	Australia
Camaçari	Brazil
Estrada do Colégio	Brazil
Guangzhou	China
Panyu	China
Shanghai	China
Shekou	China
Bogotá	Columbia
Fraijanes	Guatemala
Gandaria	Indonesia
Ankleshwar	India
Goa	India
Ai-oi	Japan
Isohara	Japan
Chiba	Japan
Klang	Malaysia
Puebla	Mexico
Heerenveen	Netherlands
Lad Krabang	Thailand
Mahachai	Thailand
Kaohsiung	Taiwan
Charlotte	USA
Newport	USA
St. Gabriel	USA
Suffolk	USA
West Memphis	USA

"A Commitment to Excellence"

Ciba Specialty Chemicals strives for a leading position in all its markets and business segments. An important element to ensure business leadership is the successful integration of EHS management into all relevant business processes.

We will focus on product and process innovation, supply chain management and customer support to continuously improve the EHS performance of our products and services.

We are committed to exploring all reasonable opportunities to apply our EHS strategies and policies in close cooperation with our customers and suppliers for the benefit of all parties.

Ciba Specialty Chemicals is committed to:

- Integrating EHS management into business processes and strategic planning
- Global compliance with laws, regulations, international treaties and conventions
- Minimizing, managing and communicating all risks relating to its products and operations; participating in Responsible Care® programs in all major regions
- Maintaining a high level of awareness, motivation, training and professionalism in EHS for all employees
- Continuously improving EHS performance through goalsetting and measurement
- Considering EHS performance as a key element in selecting suppliers, distributors and contractors
- Communicating EHS strategies and performance openly and consistently to all key stakeholders

Ciba Specialty Chemicals is a signatory to Responsible Care® programs



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Ciba Specialty Chemicals' 2003 Annual Report consists of the Business Review, the Financial Review and the Environment, Health and Safety Report.

The documents are published in both English and German.

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Value beyond chemistry